Economic Update, April 8, 2022

Submitted by Michael Mount and Bob Moreo

Summary: Reports this week indicated an expanding labor market and the fewest new unemployment claims in decades. Service-sector business activity is increasing, while manufacturing continues to be at the mercy of supply chain issues amid global uncertainty. Perhaps as a result of ongoing inflation, consumer credit spending rose at a faster rate in February than in any month since November 2001, according to MarketWatch.

Federal Government Indicators and Reports

U.S. Census

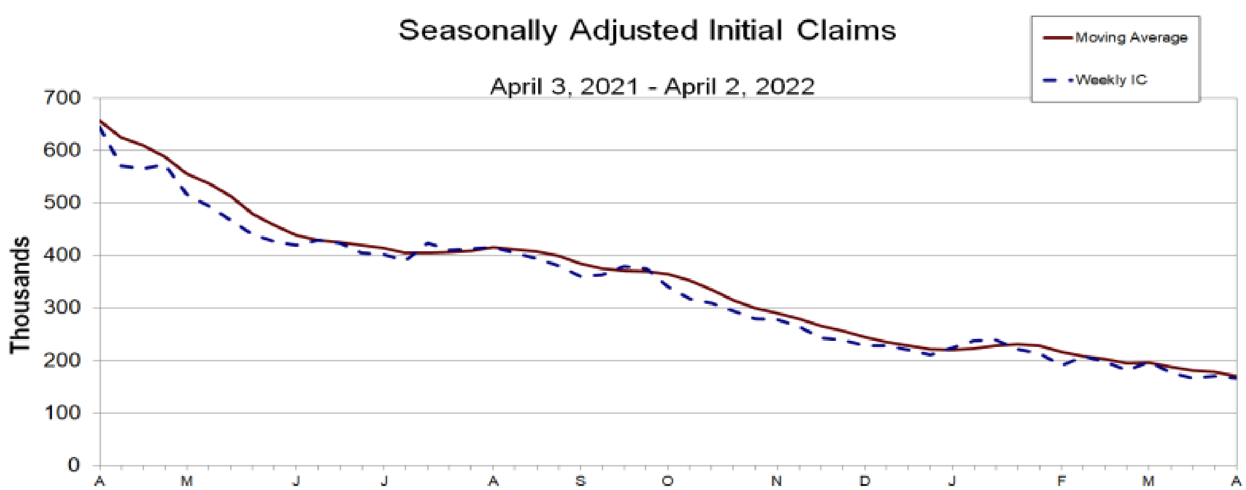
Monday, Factory Orders: "New orders for manufactured goods in February, down following nine consecutive monthly increases, decreased $2.7 billion or 0.5 percent to $542.0 billion. . . . This followed a 1.5 percent January increase." New orders for nondefense capital goods, excluding aircraft, increased 0.3 percent after increasing 2.2 percent in January.

Tuesday, International Trade: "The goods and services deficit was $89.2 billion in February, down less than $0.1 billion from $89.2 billion in January."

Friday, Wholesale Trade: "February 2022 sales of merchant wholesalers . . . were $675.8 billion, up 1.7 percent from the revised January level and were up 25.5 percent from the revised February 2021 level. . . . Total inventories . . . were $818.2 billion at the end of February, up 2.5 percent from the revised January level. Total inventories were up 19.9 percent from the revised February 2021 level."

Department of Labor

Thursday, Initial Claims: "In the week ending April 2, the advance figure for seasonally adjusted initial claims was 166,000, a decrease of 5,000 from the previous week's revised level." According to the Wall Street Journal, this is the lowest level since 1968.



Federal Reserve

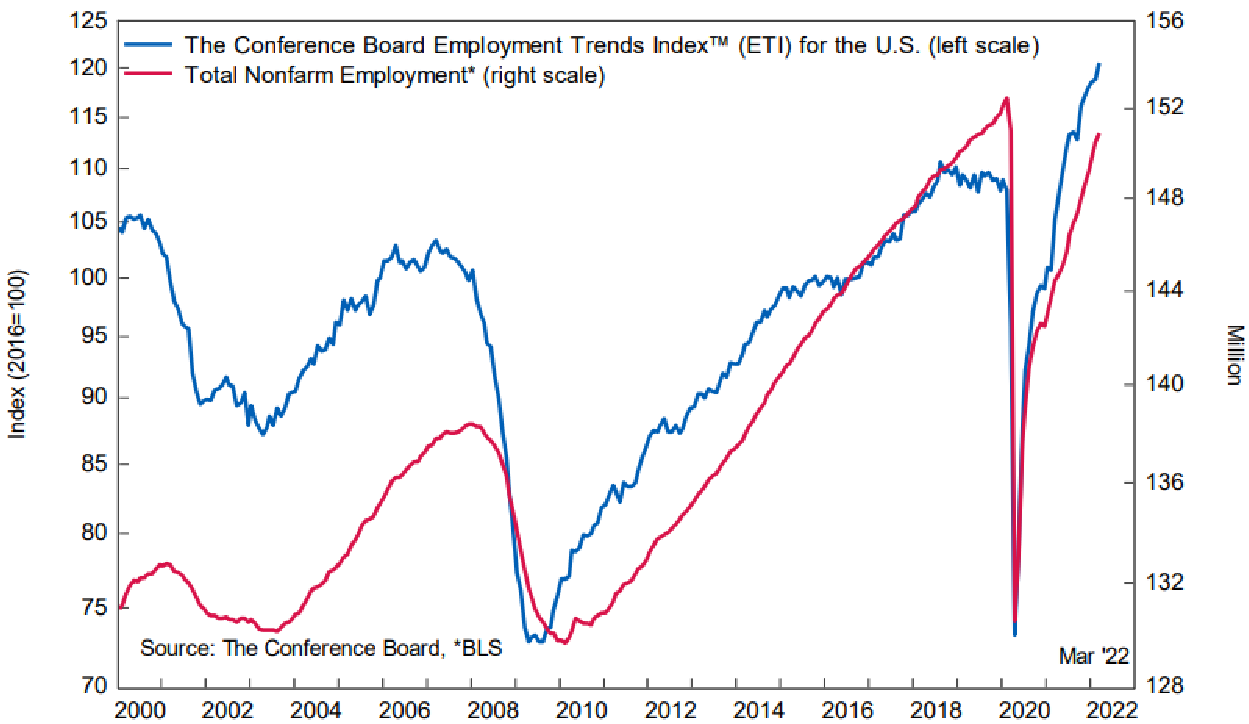
Thursday, Consumer Credit: "In February, consumer credit increased at a seasonally adjusted annual rate of 11.3 percent. Revolving credit increased at an annual rate of 20.7 percent, while nonrevolving credit increased at an annual rate of 8.4 percent."

Economic Indicators and Confidence

The Conference Board

Monday, Employment Trends Index: The index "increased in March to 120.56, up from 118.90 in February 2022." Agron Nicaj, an associate economist, said that "employment is growing, and the labor market is expanding. The labor market is continuing to add jobs, especially in in-person services and other industries that have yet to reach pre-pandemic levels of employment."

The Conference Board Employment Trends Index ™, January 2000 to Present



Institute for Supply Management

Tuesday, Services Purchasing Managers' Index: The index increased from 56.5 to 58.3 from February to March. "Services businesses are continuing to replenish inventories. . . . Inventories are in 'too low' territory and not meeting current business requirements. . . . Labor shortages have eased slightly, as COVID-19 cases have declined, and public-health restrictions have been relaxed. Geopolitical concerns—particularly the Russia/Ukraine war, which has impacted material costs, most notably fuel and chemical prices—have created uncertainty for many businesses."

S&P Global

Wednesday, Services PMI: The index "registered 58.0 in March, up from 56.5 in February." Chris Williamson, S&P's chief business economist, noted that "demand for services is in fact growing so fast that companies are increasingly struggling to keep pace with customer orders, leading to the largest rise in backlogs of work recorded since the survey began in 2009."

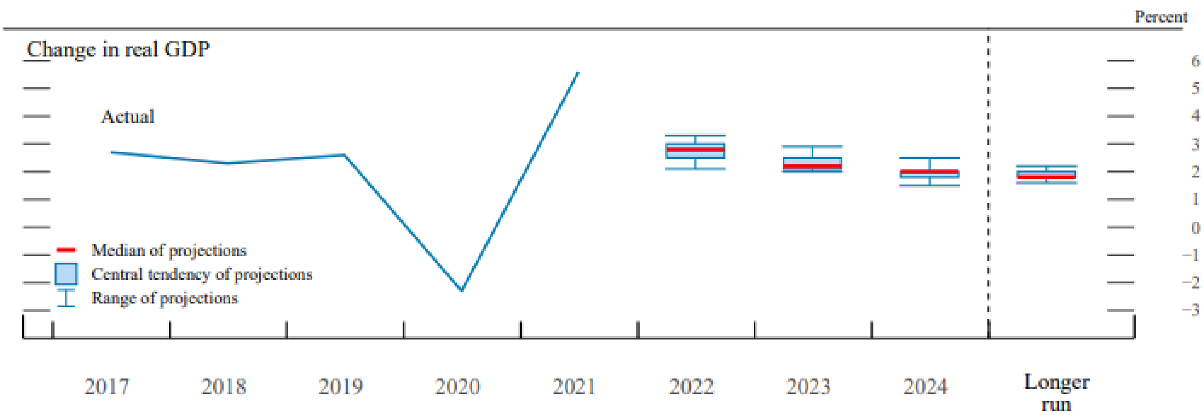
Wednesday, Sector PMI: "Healthcare (index at 61.0) retained its position as the fastest-growing category and the latest upturn was the strongest since November 2021. . . . Meanwhile, ongoing supply chain difficulties continued to act as a brake on production at manufacturers of consumer goods."

Federal Reserve

Wednesday, FOMC Minutes: "Indicators of economic activity and employment have continued to strengthen. Job gains have been strong in recent months, and the unemployment rate has declined substantially. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures. . . . The Committee decided to raise the target range for the federal funds rate to 1/4 to 1/2 percent and anticipates that ongoing increases in the target range will be appropriate."

Wednesday, FOMC Projections: The projection for real GDP growth in 2022 decreased from 4.0 percent to 2.8 percent. The projections for 2023, 2024, and the longer run remained at 2.2 percent, 2.0 percent, and 1.8 percent, respectively.

Figure 1. Medians, central tendencies, and ranges of economic projections, 2022–24 and over the longer run



Wednesday, National Financial Conditions Index: The index "suggests that financial conditions loosened slightly in the week ending April 1," ticking down to –0.38.

Mortgages and Housing Markets

Fannie Mae

Tuesday, Home Purchase Sentiment: "[The index] decreased by 2.1 points to 73.2 in March. . . . A survey-high 69 percent of respondents indicated that they expect mortgage rates to continue their upward ascent. On net, the 'Good Time to Buy' component set a new survey low, with 73 percent of respondents reporting that it's a bad time to buy a home."

Freddie Mac

Thursday, Primary Mortgage Market Survey: "30-year fixed-rate mortgage averaged 4.72 percent with an average 0.8 point for the week ending April 7, 2022, up from last week when it averaged 4.67 percent. A year ago at this time, the 30-year FRM averaged 3.13 percent."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 6.3 percent from one week earlier," with Joel Kan adding: "The hot job market and rapid wage growth continue to support housing demand, despite the surge in rates and swift home-price appreciation. However, insufficient for-sale inventory is restraining purchase activity."